

AMENDED IN ASSEMBLY APRIL 25, 2007

AMENDED IN ASSEMBLY APRIL 17, 2007

AMENDED IN ASSEMBLY MARCH 26, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 831

Introduced by Assembly Member Parra

February 22, 2007

An act to add Section 13305.5 to the Government Code, relating to tax expenditures.

LEGISLATIVE COUNSEL'S DIGEST

AB 831, as amended, Parra. State government: ~~tax expenditure measures and reports.~~ *tax expenditures.*

Existing law requires the Department of Finance to provide an annual report to the Legislature on tax expenditures, containing specified information *certain legislative measures to include specified information or meet specified requirements.*

This bill would require the department to review, over a period of 10 years, and make a report of that review to the Legislature of, all of the tax expenditures that exceed \$5,000,000, and make a recommendation to the Legislature as to whether to modify or repeal each tax expenditure. This bill would also require that any legislative measure creating a new tax expenditure, or extending the operation of an existing tax expenditure, ~~meet certain requirements, as specified as defined,~~ *shall provide for a repeal of the expenditure in a manner reflective of the needs and conditions of the proposed expenditure.*

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 13305.5 is added to the Government Code,
2 to read:

3 13305.5. (a) On and after January 1, 2008, any legislative
4 measure creating a new tax expenditure, or extending the operation
5 of an existing tax expenditure, shall include a repeal of the
6 expenditure in a manner reflective of the needs and conditions of
7 the proposed expenditure.

8 (b) For purposes of this section, “tax expenditure” means a
9 credit, deduction, exclusion, exemption, or any other tax benefit
10 as provided for by state law.

11 ~~SECTION 1. Section 13305.5 is added to the Government~~
12 ~~Code, to read:~~

13 ~~13305.5. (a) The Department of Finance shall review, and~~
14 ~~provide an annual report of the review to the Legislature of, all of~~
15 ~~the tax expenditures that exceed five million dollars (\$5,000,000)~~
16 ~~per calendar year that were in existence on or after January 1, 2008,~~
17 ~~as follows:~~

18 ~~(1) Ten percent of the total tax expenditure programs or~~
19 ~~mechanisms shall be reviewed on or before July 1, 2008, and 10~~
20 ~~percent on or before July 1 of each of the succeeding nine calendar~~
21 ~~years so that all of the tax expenditures shall have been reviewed~~
22 ~~by July 1, 2017.~~

23 ~~(2) The review shall include all of the following:~~

24 ~~(A) The statutory authority for each credit, deduction, exclusion,~~
25 ~~exemption, or any other tax benefit as provided by state law.~~

26 ~~(B) A description of the legislative intent for each tax~~
27 ~~expenditure, if the act adding or amending the expenditure contains~~
28 ~~legislative findings and declarations of that intent, or that legislative~~
29 ~~intent is otherwise expressed or specified by that act.~~

30 ~~(C) The sunset date of each credit, deduction, exclusion,~~
31 ~~exemption, or any other tax benefit as provided by state law, if~~
32 ~~applicable.~~

33 ~~(D) A brief description of the beneficiaries of the credit,~~
34 ~~deduction, exclusion, exemption, or other tax benefit as provided~~
35 ~~by state law.~~

36 ~~(E) An estimate or range of estimates for the state and local~~
37 ~~revenue loss for the current fiscal year and the two subsequent~~
38 ~~fiscal years. For sales and use tax expenditures, this would include~~

1 ~~partial-year exemptions and all other tax expenditures when the~~
2 ~~State Board of Equalization has obtained that information.~~

3 ~~(F) For personal income tax expenditures, the number of~~
4 ~~taxpayers affected and returns filed, as applicable, for the most~~
5 ~~recent tax year for which full year data is available.~~

6 ~~(G) For corporation tax and sales and use tax expenditures, the~~
7 ~~number of returns filed or business entities affected, as applicable,~~
8 ~~for the most recent tax year for which full year data is available.~~

9 ~~(H) A listing of any comparable federal tax benefit, if any.~~

10 ~~(I) A description of any tax expenditure evaluation or~~
11 ~~compilation of information completed by any state agency since~~
12 ~~the last report made under this section.~~

13 ~~(J) An evaluation of the benefits attributable to each tax~~
14 ~~expenditure relative to the revenue losses.~~

15 ~~(K) A recommendation to the Legislature as to how to modify~~
16 ~~or repeal each tax expenditure.~~

17 ~~(b) On and after January 1, 2008, any legislative measure~~
18 ~~creating a new tax expenditure, or extending the operation of an~~
19 ~~existing tax expenditure, shall include all of the following:~~

20 ~~(1) A legislative finding and declaration of the purposes to be~~
21 ~~served by the tax expenditure.~~

22 ~~(2) An estimate of the revenue losses attributable to each tax~~
23 ~~expenditure.~~

24 ~~(3) A specific methodology for measuring the state's return on~~
25 ~~the investment to be provided by the tax expenditure, including~~
26 ~~performance criteria that establish minimum benefits and maximum~~
27 ~~costs for retaining the tax expenditure.~~

28 ~~(4) A repeal of the expenditure on a date no later than five years~~
29 ~~after the effective date of the measure.~~

30 ~~(e) For purposes of this section, "tax expenditure" means a~~
31 ~~credit, deduction, exclusion, exemption, or any other tax benefit~~
32 ~~as provided for by state law.~~